



The Geoeconomics of Reconstruction in Yemen

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About the Authors

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Executive Summary

The ongoing conflict in Yemen has exacted a disastrous toll on the country's people, economy, infrastructure, and institutions, as well as the ties that bind them. The effort to rebuild both the tangible and intangible aspects of Yemeni society will be complicated by not only the fragmentation among Yemen's political and military factions, but also by the multitude of foreign actors and interests that, directly and indirectly, have come to exert an influence over the conflict, or could do so in the future.

This paper seeks to elucidate who these outside forces are, what the nature is of their involvement, and what their converging and conflicting interests mean for Yemen's future reconstruction effort. For example, it is clear that direct intervention by the two main foreign actors, Saudi Arabia and the United Arab Emirates, has made these regional states deeply committed to the outcome in Yemen. Yet that very investment may incline each state to try and shape the postconflict environment in a manner that privileges the interests of allies, to the detriment of others perceived as adversaries. This substantially complicates the reconstruction process by potentially hindering the equal distribution of reconstruction resources. Moreover, Saudi Arabia and the UAE's regional adversary, Iran, could advance its own strategic goals by prolonging the conflict through the continued provision of, or significant upgrades to, material support to the Houthi rebels.

This paper begins with an overview of the war in Yemen and discusses the intervention of foreign actors, as well as broader forces and parties with influence on the conflict's resolution. The paper details the activities and interests of relevant actors, including domestic, regional, international, supranational, transnational, and subnational. The paper then analyzes the influence of the competing and cooperating forces on outcomes to the conflict and reconstruction in Yemen. Finally, the paper concludes with policy recommendations.

Introduction

Overview and Context of the War in Yemen

More than three and a half years after a Saudi-led military coalition entered what had been up to that point a civil war in Yemen, the conflict continues with little prospect of resolution. The war has spawned the worst humanitarian crisis in the world: More than eight million people are on the brink of famine, and the United Nations has warned that an additional 10 million Yemenis will be at risk of famine by the end of 2018 if conditions do not improve.¹

The war has shredded what vestiges remained of Yemen as a cohesive political entity. Today, it more closely resembles a region of ministelets at varying degrees of war with one another.² Centrifugal forces are particularly evident in Southern Yemen, where a secessionist movement has been reinvigorated, leading some scholars to suggest “an independent state is in the making,”³ but no less powerful in Saada, the northernmost governorate, home to the rebellious Ansar Allah, the military wing of the Houthi movement.

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Yemen’s internationally recognized government, led by President Abd Rabbu Mansour Hadi, has spent most of the war living in exile in Saudi Arabia. Given the ongoing occupation of Yemen’s capital, Sanaa, by Houthi forces, the southern port city of Aden has become the provisional seat of government.⁴ But given serious fissures in the Saudi-led coalition, and the growing separatist sentiment among Southerners, Hadi has spent little time there, although that has changed in recent months, at least in part in response to criticism of the president for living in comfort and safety while the vast majority of Yemenis suffer extraordinary hardships as a result of a war he supports.⁵

Sectarian distinctions, which were historically subdued, have grown much more evident since the conflict began. The Houthis are predominantly drawn from the Zaydi Shia population in Yemen, and their increasingly public displays of religious zeal have widened the gulf between them and the country’s Sunni majority, most of whom reflect the Shafi tradition. This sharpened Shia identity has fueled accusations of Iranian support for the Houthis, which has grown since the Saudi-led coalition entered the conflict.

¹ “UN News: Yemen,” United Nations, accessed September 17, 2018.

² Peter Salisbury, “Yemen: National Chaos, Local Order,” Chatham House, December 20, 2017.

³ Susanne Dahlgren, “Popular Revolution Advances towards State Building in Southern Yemen,” *Project on Middle East Political Science*, accessed September 17, 2018.

⁴ Jeremy M. Sharp, “Yemen: Civil War and Regional Intervention,” *Congressional Research Service*, modified August 24, 2018.

⁵ “The Forgotten War: The Ongoing Disaster in Yemen,” *The Soufan Center*, June 2018.

Yemen's infrastructure, rudimentary before the war, has been brought to the brink of collapse, primarily the result of airstrikes carried out by Saudi Arabia and its coalition partners. The Yemen Data Project, which tracks the war, estimates that the coalition has conducted over 18,000 airstrikes.⁶ Damage to medical, water, and sanitation facilities has been extensive and has contributed directly to the worst cholera outbreak in modern history; there have been over 1.15 million suspected cases of cholera,⁷ and an internally displaced population of more than 2 million people is largely without clean water or medical care.⁸

Predictably, a war economy has emerged in Yemen, with all sides to the conflict profiting from their ability to traffic in – or collect “taxes” on – food, medicine, and weapons. These war profiteers potentially represent a significant impediment to a negotiated settlement to the war.⁹ Yemen's resident violent extremist organizations, the most prominent of which is Al-Qaeda in the Arabian Peninsula, also can be expected to act as “spoilers” and undermine efforts to end the war and stabilize the country, outcomes that AQAP would likely see as enabling a more sustained and broad-based campaign against it.

The centrifugal forces in Yemen likewise will present an obstacle to a negotiated solution that may seek to establish a government of national unity that limits the decision-making ability of local or regional authorities. Whether a unified Yemen will emerge from the war, or if the country will fracture permanently into largely independent ministatelets is one of the most pressing issues that will have to be dealt with in order to avoid a situation in which Yemen's “big war” is resolved but complex, localized conflicts persist.¹⁰

Notwithstanding the enormous challenges to Yemen's reconstruction, the country is not without some important assets, which, if they can be mobilized and developed, can contribute to a more stable political and economic future. Principal among these is Yemen's strong tribal traditions of conflict mediation and resolution. More broadly, Yemeni civil society reflects a culture of civic engagement on the part of its citizens, and organizations with strong local roots can inform reconstruction efforts and serve as effective vehicles for delivery of humanitarian assistance.

In terms of natural resources, Yemen's 1,200 miles of coastline, deep-water ports, and geographic location along major shipping routes represent economic assets that can be exploited, along with a limited but not insignificant supply of hydrocarbons, especially natural gas. These natural resources, especially in southern Yemen, have mostly come under the control of the United Arab Emirates, a key coalition member, which has focused the bulk of its wartime engagement in the south. This has fueled speculation that its long-term interests in the country are linked to its efforts to control Indian Ocean maritime trade, a view strengthened by its emergence as a port operator in key oil route seaports in the Horn of Africa and Arabian Peninsula.¹¹

⁶ Julian Borger and Saeed Kamali Dehghan, “[Yemen School Bus Bombing ‘One of 50 Strikes on Civilian Vehicles This Year.’](#)” *The Guardian*, August 16, 2018.

⁷ “[Yemen: Cholera Response](#),” World Health Organization, July 1, 2018.

⁸ “[Yemen Update: 13 – 26 October 2018](#),” UNHCR, October 26, 2018.

⁹ Jon B. Alterman, “[Aid and Conflict: Pitfalls in Yemen](#),” *Center for Strategic and International Studies*, August 16, 2018.

¹⁰ Peter Salisbury, “[Yemen: National Chaos, Local Order](#),” *Chatham House*, December 20, 2017.

¹¹ “[The Forgotten War: The Ongoing Disaster in Yemen](#),” *The Soufan Center*, June 2018.

The UAE's other principal focus in Yemen has been counterterrorism, an effort to which the United States has contributed small numbers of special operations forces. The U.S. role as a major supplier of advanced weapons to the coalition's air force, as well as logistical and intelligence support, has come under increased scrutiny as civilian casualties mount and criticism grows over the manner in which Saudi Arabia has prosecuted the war. Nonetheless, Washington's commitment to its key Arab allies seems firm, particularly as they pursue the United States' principal goals in the region: to neutralize the perceived threat posed by Iran and that posed by violent extremist organizations such as AQAP.¹²

And while the fighting in Yemen is often characterized as a proxy war between Saudi Arabia and Iran, this ignores the deeply rooted grievances that led to the Houthi insurgency in the first place. It also disregards the stubborn independence the Houthi leadership has shown in pursuing what it deems to be its interests in Yemen, which may not always coincide with those of its supposed patron in Tehran.

Brief History of Recent External Intervention in Yemen

As the poorest country in the Arabian Peninsula, prone to political fissures, Yemen has long been subject to foreign intervention. This is particularly true regarding its northern neighbor, Saudi Arabia, which perceives Yemen as within its sphere of influence and representing a potential weakness on its southern flank. This has manifested in decades of shifting alliances between Riyadh and various political actors in Yemen as the country's politics have evolved. Since internal political turmoil spawned by the Arab Spring uprisings of 2011, however, foreign parties have become increasingly engaged in Yemen. This complicates any conflict-resolution initiative but also multiplies the potential contributors to postwar reconstruction.

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Fearing political disintegration and civil war, the Gulf Cooperation Council helped mediate a U.N.-backed agreement in November 2011 that arranged for President Ali Abdullah Saleh to step down from power in favor of Hadi, then his vice president, who was tasked with managing Yemen's political transition.

The eventual breakdown of this process brought deeper foreign intervention. In September 2014, Houthi forces, supported by armed forces loyal to Saleh, seized the capital, Sanaa, and the reins of government. Hadi tried futilely to come to a modus vivendi with the rebel forces, efforts that led to his being placed under house arrest. He escaped to Saudi Arabia in early 2015 and from there called upon neighboring Arab states to intervene to restore his internationally recognized government. The military campaign that was initiated in March of that year had some early success in reclaiming Aden, but the war soon transitioned into a complex multifront conflict with multiple parties and interests.

Saudi Arabia was primarily motivated by its unease about the ties between the Houthi movement and Iran, and the potential for the Houthis to form a Hezbollah-like militia movement on the kingdom's southern border. This brought a broader geostrategic overlay

¹² Peter Salisbury, "[Yemen: National Chaos, Local Order](#)," Chatham House, December 20, 2017.

to the hostilities between Saudi Arabia and the Houthi insurgency, which included a previous military conflict in 2009-10, rendering the current conflict a central element of what some observers have labeled a regional proxy war between Saudi Arabia and Iran. This has been amplified by increasing evidence suggesting Iran is supplying the Houthis with components for missiles allowing the Houthis to fire them deep into Saudi territory.

The initial GCC military coalition in Yemen has been altered by the intra-Gulf crisis, in which a quartet of countries – Saudi Arabia, the UAE, Bahrain, and Egypt – ended diplomatic relations and initiated an embargo against Qatar. Qatar was then asked to leave the Yemen coalition, although it likewise maintains a strategic footing in the Red Sea and Horn of Africa, in loose alliance with Turkey.

The proliferation of foreign players with disparate interests has complicated the task of the United Nations and its special envoy, a position established by the secretary general in 2012. The special envoy has intensified efforts to mediate an end to the conflict working under the authority of U.N. Security Council Resolution 2216 passed in 2015 calling on all parties to end violence and refrain from unilateral actions threatening the political transition. Thus far, its consultations aimed at a negotiated settlement, including direct talks in Switzerland in June and December 2015, and Kuwait from April to August 2016, have failed to resolve the conflict. The latest efforts by the current special envoy, Martin Griffiths, to hold direct talks in Geneva in September, broke down when the Houthi delegation failed to attend, claiming the coalition hadn't guaranteed its return to Sanaa. Currently, efforts are underway to convene a new round of talks in Europe.

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Mapping Yemen's Internal Dynamics and Links to External Actors

Mapping the Key Players in Yemen's Civil War

The Yemen conflict has become an arena for a multiplicity of groups, interests, and agendas, many of which may be in direct conflict at one moment and seemingly able to cooperate – or at least co-exist – at others. The fluid nature of these relationships places a premium on understanding and addressing the core interests of the various parties in order to pre-empt alliances that may impede reconstruction.

Mapping the war along areas of geographical control, contestation, political and ideological lines, and external support provides a useful framework for understanding these dynamics.

Areas of Control

Northwestern Highlands

In September 2014, the Houthi rebels stormed Sanaa, before moving east, west, and south with the support of military units affiliated with Saleh. The combined Houthi-Saleh alliance faced resistance in Marib governorate, Taiz city, and across much of the formerly independent south. It was ousted from Marib and the south in 2015 and is still battling for control of Taiz. The Houthi-Saleh alliance consolidated its control over government institutions in Sanaa and the northwestern governorates. The Houthi-Saleh alliance, an uneasy marriage from the start, ended in December 2017 when Saleh announced he was open to negotiations with the Saudi-led coalition and was killed by Houthi fighters.

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Saleh's General People's Congress, the dominant parliamentary force in post-unity Yemen – and the closest thing the country has to a broadly inclusive political party – had been divided before the split and Saleh's death, and has become more deeply fragmented since. GPC leaders are in general agreement that it is not possible for any group or individual outside of Yemen to offer legitimate leadership and have remained heavily focused on rebuilding inside the country through new and previous leaders. There has been speculation that Saleh's nephew, Brig. Gen. Tariq Saleh – who leads forces against the Houthis along the Red Sea coast – could emerge as a major player in a postconflict GPC if he were to win a decisive battle against the Houthis and place Hodeidah city under effective GPC suzerainty.

Saudi-Backed Al Jawf-Marib-Northern Hadramout Axis

At the outset of the war, the Houthis faced resistance from tribes in Al Jawf and Marib governorates, which are broadly affiliated with Islah, Yemen's main Sunni Islamist party, which is often and erroneously described as Yemen's Muslim Brotherhood. The governorates subsequently became a base for military units under the supervision of Ali Mohsen al-Ahmar, an Islamist military commander and Saleh's onetime enforcer, who split from the regime in 2011 and is now Yemen's vice president. Mohsen was able to reconstitute and augment his First Armored Division, which was widely thought to have collapsed in 2014.

Islah-affiliated forces (tribal militias loyal to Hashem al-Ahmar, a senior member of a tribal family that leads the once-powerful Hashed tribal confederation) also seized the Wadea border crossing between Saudi Arabia and northern Hadramout governorate. This created a broad sphere of influence along central northern Yemen, from the Al Jawf-Saada border to the western edge of Mahra governorate.

At the heart of this axis has been Marib city, which has undergone something of an economic boom overseen by governor Sultan al-Aradah. He has been able to maintain control over local institutions, most importantly the Marib branch of the Central Bank of Yemen, which he has used as the treasury for what has become a largely autonomous area. Additionally, he has used revenue generated from the sale of diesel and liquefied petroleum gas to pay for local services and salaries, augmented by payments from Saudi Arabia, which underwrite the costs of the military units and tribal elements that are fighting the Houthis on the front lines.

Southern Territories (Southern Hadramout, Shabwa, Lahj, Al Dhale)

The UAE has focused much of its effort in Yemen securing the south, training and equipping local security forces under two distinct command lines: the Elite Forces in Hadramout and Shabwa, and the Security Belt forces in Aden, Abyan, and Lahj (Al Dhale remains under the control of local militias that are UAE-backed but have not been integrated into broader security structures). Also in place were military units affiliated with the Hadi government, which has technically been headquartered in Aden since its liberation.

In March 2017, Hadi announced that he was removing Aidarous al-Zubaidi, a prominent UAE-backed leader who was governor of Aden. This led to protests and prompted Zubaidi to form the Southern Transitional Council, a self-styled government-in-waiting that has established its own parliament and has claimed to control the "Southern Resistance Forces" – a blanket term for UAE-backed militias.

Areas of Contestation

Saudi-Yemeni Border (Kitaf/Buqa, Baqim, Western Al Jawf, Hajja)

Along the two main border roads between Saudi Arabia and Yemen, at Baqim and Kitaf/Buqa, Yemeni forces are led by a pro-Saudi southern Salafist leader, Mahran al-Qubati, augmented with support from Saudi and other forces, and the Saudi air force. In northern Hajja governorate, which separates the Houthi's Saada governorate from the Red Sea coast, forces affiliated with Mohsen hold the port town of Midi, control of which is likely to become a contentious issue in any negotiations over Yemen's future configuration.

Bayda

The Houthis and affiliated tribes hold Bayda city in the south of the governorate, but have struggled to control neighboring districts, which are contested by local tribes, Mohsen-backed military units, and al-Qaeda as well as the Yemeni branch of the Islamic State in Iraq and the Levant.

Taiz

The city of Taiz, a strategically located commercial and transportation hub, has in many ways become a microcosm of the war and its badly splintered combatant forces. Houthi fighters command the main hills and mountains to the northwest of the city, while much of the urban center is controlled by a mixture of Islah-affiliated military units and militias, and Salafist militias backed by the UAE, with some independent military and security forces increasingly aligned with the Salafists.

Red Sea Coast

Control of the key Red Sea port city of Hodeidah is very much uncertain, as a UAE-led force of pro-government fighters – supported by Saudi airstrikes – has been trying to liberate it from the Houthis, who seized it in 2015. Leading the offensive are the Salafist-led, secessionist Giants Brigade, with support from the Tihama Resistance, a largely local force, and elements of the Republican Guard led by Tariq Saleh. As is the case elsewhere in Yemen, where ostensibly pro-government forces share little in the way of common purpose other than the immediate challenge of defeating Houthi rebels, it is unclear who will control Hodeidah if and when it is liberated.

Aden

Aden has become symbolic of the dysfunction within the coalition, as UAE-aligned forces jostle for control of the city with Hadi-affiliated forces and other nonaligned groups.

Mahra Governorate

Since 2017, Saudi Arabia has been engaged in efforts to secure Mahra, Yemen's easternmost governorate, which borders Oman and has a lengthy coastal strip along its south. Reputedly a key supply line for goods smuggled into the country, Mahra is divided into multiple tribal regions and the legitimacy of various sultans is disputed. Many Mahri tribes have found common cause, however, in their opposition to Saudi attempts to assert control over the region, which, according to reports, include opening a new Salafist-inspired school and extending an oil pipeline to Al Ghaydah, on Mahra's Indian Ocean coast.

Drawing from this analysis, a core group of key players in the conflict includes:

- The Houthis, led by Abdul Malik al-Houthi, with key supporting roles played by Abdullah "Abu Ali" al-Hakem (military chief), Abdulkhaleq al-Houthi (security chief), and Mehdi Mashat (political chief)
- UAE-backed secessionists led by Aidarous al-Zubaidi with a key supporting role played by Hani Ali bin Braik, a secessionist Salafist leader and founder of the Security Belts

- Islah-affiliated groups in northern Yemen broadly clustered around Sultan al-Aradah and Ali Mohsen al-Ahmar
- Islah-affiliated groups in Taiz
- UAE-backed Salafist groups in Taiz led by Abu al-Abbas
- Southern Hadrami groups overseen by governor Faraj Salemin al-Bahsani, with an important role played by the leader of the Hadramout Tribes Federation
- Multiple Mahri tribal groups

Regional

Saudi Arabia

Saudi Arabia has long felt the need to exert decisive influence in Yemen, due to its geographic location and the economic disparities between the two countries. With over 1,100 miles of shared border, the kingdom is keenly sensitive to the prospect that political, economic, or social unrest in Yemen will reverberate across a boundary that in many locations is scarcely patrolled and hence very porous.

Saudi Arabia frequently has employed its hydrocarbon wealth to finance infrastructure development across Yemen, with two principal goals: to remind Yemenis of its abiding concern for their well-being and to try and create a more economically stable neighbor, one less accommodating to violent extremist organizations that see Yemen as both a safe haven and recruiting pool. Less formally, Saudi Arabia has used its wealth liberally to coax supportive behavior from government officials, political figures, tribal leaders, and others in a position to protect Riyadh's interests or advance its goals.

In March 2015, Saudi Arabia, leading a coalition of Arab countries, injected itself into Yemen's war in an effort to achieve three main goals: to restore Hadi's internationally recognized government; to end Iran's support for the Houthis and its influence in Yemen; and to secure Saudi Arabia's southern border from cross-border incursions and ballistic missile attacks.

The Saudis appear to have badly miscalculated the difficulty of the task, however, and even a sustained campaign of aerial bombardment over Yemen has not produced the decisive victory the kingdom has sought. The Houthi's Saada governorate has been particularly hard-hit, and a promise of support for an international effort to rebuild its infrastructure could be a carrot Saudi Arabia or the U.N. envoy could use as an incentive for the Houthis to end hostilities.

In order to maintain pressure on the Houthis, Saudi Arabia depends heavily on military support from the United States and some European countries, and will work assiduously to ensure that this pipeline remains unimpeded. The United States, in particular, has provided essential assistance in the form of precision-guided munitions and logistical and intelligence support. Moreover, the United States has crucially provided diplomatic cover, for example with the certification by U.S. Secretary of State Mike Pompeo in September that the coalition had taken "demonstrable" steps to protect Yemen's civilian population and infrastructure, guaranteeing

the continued flow of U.S. weapons.¹³ However, U.S. support has come into question as criticism of Saudi Arabia has escalated over its bombing campaign in Yemen and the killing of Saudi journalist Jamal Khashoggi in the Saudi Consulate in Istanbul. In late October, both Pompeo and Secretary of Defense James Mattis called for a cease-fire in Yemen.¹⁴

In pursuit of its goal to reduce Iranian influence inside Yemen, Saudi Arabia has worked closely with the United States and others in the region to build pressure on the regime in Tehran. The recently mooted Middle East Strategic Alliance that would comprise Gulf Arab states, other key Arab allies, and the United States, is one approach Riyadh is likely to embrace. To worsen Iran's domestic economic conditions, and thereby stoke internal opposition to the regime, Saudi Arabia can use its unique position as the global energy swing producer and increase output sufficiently to depress prices so that Iran's revenue from the sale of hydrocarbons is further diminished. Riyadh's support for the reimposition of U.S. sanctions on Iran's oil sales is closely linked to this effort.

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More broadly, the Saudis will see reconstruction across Yemen as an essential building block in restoring stability to its southern neighbor and will use the kingdom's oil wealth to support this effort; although, historically Saudi Arabia has been reluctant to place its economic assistance into donor pools, or trust funds, vehicles that impair its ability to direct funds to allies. At present, Saudi Arabia's Yemen Comprehensive Humanitarian Operations plan has pledged \$1.5 billion in new funding to the United Nations' 2018 Yemen Humanitarian Response Plan,¹⁵ although it is unclear exactly how much has been delivered.

In order to ensure its influence with the political leadership that will emerge in postwar Yemen, Saudi Arabia will build new patronage networks and reinforce relationships with long-time allies such as Mohsen and factions of Islah.

UAE

Before 2015, there was minimal political or economic interaction between Yemen and the UAE. The most notable bonds tended to be close ties between tribes and a sense of cultural legacy as members of Abu Dhabi's ruling Al Nahyan family claim Yemeni roots.¹⁶ On the commercial side, the Dubai-based DP World port operator demonstrated some interest in the port of

¹³ Michael R. Pompeo, "[Certification to Congress on Actions of Saudi Arabia and UAE in Yemen Under the NDAA](#)," U.S. Department of State, September 12, 2018.

¹⁴ Gardiner Harris, Eric Schmitt, and Rick Gladstone, "[U.S. and Britain Seek Yemen Cease-Fire as Relations with Saudis Cool](#)," *The New York Times*, October 31, 2018.

¹⁵ Richard Hall, "[Saudi Arabia Promises \\$1.5 Billion in Aid to Yemen – But It's Still Bombing the Country](#)," *Public Radio International*, January 24, 2018.

¹⁶ Peter Hellyer, "[A 2,000-Year Bond between the UAE and Yemen that Will Never Break](#)," *The National*, October 13, 2015.

Aden in the 2000s and operated the port from 2008-12. DP World was not able to increase traffic to the port, however, and its operations across the Red Sea in Djibouti began to thrive during this same period.¹⁷

Over the past three years, the nature of UAE involvement in Yemen has evolved from one of benign neglect to active military engagement with aspirations of commercial dominance and regional expansion. To explain the dramatic shift in Yemen's significance within Emirati foreign policy, it is important to understand changes in the global political economy that have intensified Emirati national interests and threat perception in the Horn of Africa. Along with regional changes within the GCC, Saudi and Emirati decision making have been increasingly pushed toward collaboration and mutual defense. In effect, it is not Yemen that has greatly changed, as al-Qaeda's presence is not new, nor is the use of force by the Houthis. Rather, the UAE's increasingly interventionist foreign policy and its need to establish order in a shifting international and regional security architecture are new developments that have altered the regional dynamic.¹⁸

This shifting regional security architecture begins with a perception of U.S. withdrawal or disinterest in the region and intensifies with an expansionist territorial reach in support of evolving UAE security interests.

Senior Emirati foreign policy analysts describe a triangle of influence, which the UAE seeks to expand from its apex at the opening of the Strait of Hormuz, descending southwest toward the Red Sea corridor, and southeast toward the Indian Ocean. This triangle covers important trade routes for oil but also for major food supplies and fertilizers. It also covers a series of port operations on both sides of the Red Sea, the Gulf of Aden, and the Persian Gulf, which the UAE and its state-related companies dominate. UAE foreign policy is increasingly interventionist, but also motivated by a return on investment and a sense of value for money.¹⁹

For that reason, the UAE has focused its military attention in Yemen to the south, around the port of Aden, and also to areas that have been footholds of AQAP. The commercial potential of the port of Aden, and its strategic location within the triangle of influence, is a national security



¹⁷ Peter Salisbury, "Sad Decline of Aden's Once-Thriving Port," *Financial Times*, March 6, 2013.

¹⁸ Karen E. Young, "The Emerging Interventionists of the GCC," *LSE Middle East Centre paper series 2* (2013).

¹⁹ Karen E. Young, "A New Politics of GCC Economic Statecraft: The Case of UAE Aid and Financial Intervention in Egypt," *Journal of Arabian Studies* 7, no. 1 (2017): 113-36.

priority of the UAE. Containing al-Qaeda is a security interest, but it also goes along with existing partnerships between the UAE and the United States, which can facilitate information sharing and military cooperation.

The difference between Saudi and UAE objectives in Yemen are very clear. The Saudis have an immediate border threat and are focused on pacifying the north and ending Houthi missile attacks. The UAE is concerned with its trade routes, but it has security concerns as well: the growth of political Islam, which it sees embodied by Yemen's Islah Party, and violent extremist organizations such as AQAP.

In military operations, Emirati forces have congregated in the South, which is increasing the long-standing tensions over separatism in the region.²⁰ In her examination of the Southern Transitional Council, Susanne Dahlgren links the grievances of Southern intellectuals for an independent state to their distrust of the Muslim Brotherhood, their socialist past that has enabled women's political participation, and the lines of affinity that make an alliance with the UAE workable.²¹ How open the UAE is to supporting an independent South Yemen is, however, more speculative. While Aden is the primary area of Emirati operations and administrative presence, there are also operations with military, political, and commercial interests on the islands of Socotra and Perim.

Iran

The precise nature and extent of Iran's involvement in Yemen is a matter of significant debate, as much an instrument of competing political discourse between adversaries as it is a reality on the ground. Moreover, the contours of Iran's relationship with its sole ally in the conflict, the Houthis, and the intensity of its support have evolved over time and as a result of the war's progression. While Saudi Arabia and the UAE have conferred proxy status on the Houthis, insinuating that they operate under the directive of Tehran,²² many independent analysts have dismissed the charge as overstated,²³ especially during the early phase of the war. While some historical ties between the two sides exist, the oft-conflated religious links between the Houthis' Zaydi Islam and the Twelver Shiism practiced in Iran are tenuous at best.²⁴ Rather, the Houthis own narrative of a marginalized minority rising up against an oppressive government

²⁰ Peter Salisbury, "[Yemen's Southern Powder Keg](#)," *Chatham House*, March 27, 2018.

²¹ Susanne Dahlgren, "[Popular Revolution Advances towards State Building in Southern Yemen](#)," *Project on Middle East Political Science*, accessed September 17, 2018.

²² Adam Baron, Waleed Alhariri, and Anthony Biswell, "[Trump and the Yemen War: Misrepresenting the Houthis as Iranian Proxies](#)," *Sana'a Center for Strategic Studies*, December 20, 2017.

²³ Author (Omar H. Rahman) interview with April Longley Alley of the International Crisis Group, May 2017; Dina Esfandiary and Ariane Tabatabai, "Yemen: An Opportunity for Iran-Saudi Dialogue?" *The Washington Quarterly* 39, no. 2 (July 25, 2016): 155-74; Thomas Juneau, "[Iran's Policy towards the Houthis in Yemen: A Limited Return on a Modest Investment](#)," *International Affairs* 92, no. 3 (May 2016): 647-63.

²⁴ Mareike Transfeld, "[Iran's Small Hand in Yemen](#)," *Carnegie Endowment for International Peace*, February 14, 2017; Dina Esfandiary and Ariane Tabatabai, "Yemen: An Opportunity for Iran-Saudi Dialogue?" *The Washington Quarterly* 39, no. 2 (July 25, 2016): 155-74.

fits neatly into the Iranian revolutionary political discourse,²⁵ and Tehran has been quick to exploit the connection. Moreover, the Houthis' need for tangible support in a time of protracted war has done more to forge ties with Tehran than any natural affinity between the two sides.

As the Houthi rebels' needs to sustain their military activity have increased, Tehran has appeared a willing partner, capitalizing on the opportunity to bog down its rivals in a military and fiscal quagmire at marginal cost to itself.²⁶ Beyond its more aboveboard political and diplomatic support, including building the Houthis' capacity for effective internal administration and management of security,²⁷ Iranian military, logistical, and advisory assistance have increased to some degree since 2014. Initial support is believed to have comprised some light arms shipments, but recent evidence shows missile components being smuggled into Yemen.

The U.N. Panel of Experts concluded in January that Iran was noncompliant with the U.N. arms embargo against the Houthis, citing evidence of Iranian-made ballistic missiles launched by Houthi forces.²⁸ Deeper engagement, including Gulf Arab allegations of an Iranian military presence in Yemen – or that of its Lebanese proxy, Hezbollah – is difficult to confirm,²⁹ yet undoubtedly pales in comparison to Saudi-UAE direct military involvement and backing of their own clients in Yemen.

...the Houthis own narrative of a marginalized minority rising up against an oppressive government fits neatly into the Iranian revolutionary political discourse, and Tehran has been quick to exploit the connection.

Despite the apparent increases in its engagement and support for the Houthis, Iran's interests in Yemen remain limited and tangential to other core priorities in the region, including the development of a network of influence stretching from Tehran to Beirut via Baghdad and Damascus.³⁰ Given the substantial commitment of resources to these areas, especially the war in Syria, it is unlikely that Iran will invest heavily or make real sacrifices to maintain its position in Yemen, which is geographically distant and provides limited upside beyond the ability to antagonize regional opponents and disrupt the flow of maritime commerce through the critical Red Sea-Suez Canal corridor.

The likelihood of a substantial Iranian commitment to Yemen is even more remote as a result of constraints on its resources stemming from the United States' decision to reimpose sanctions on Iran after the administration of President Donald J. Trump exited the Joint Comprehensive Plan of Action, or nuclear deal. Even the perception of heavy support for the Houthis could be an increasing liability inside Iran, as Tehran's regional expenditures have been a source of frustration and anger at home as a result of its flagging economy.

²⁵ Adam Baron, "[The Politics Driving Yemen's Rising Sectarianism](#)," *Sana'a Center for Strategic Studies*, May 30, 2016.

²⁶ Thomas Juneau, "[Iran's Policy towards the Houthis in Yemen: A Limited Return on a Modest Investment](#)," *International Affairs* 92, no. 3 (May 2016): 647-63.

²⁷ Dina Esfandiary and Ariane Tabatabai, "Yemen: An Opportunity for Iran-Saudi Dialogue?" *The Washington Quarterly* 39, no. 2 (July 25, 2016): 155-74.

²⁸ Gregory D. Johnsen, "[Iranian Missiles and Ending the War in Yemen](#)," *Just Security*, May 23, 2018.

²⁹ David D. Kirkpatrick, "[Saudi Arabia Charges Iran with 'Act of War,' Raising Threat of Military Clash](#)," *The New York Times*, November 6, 2017.

³⁰ Dina Esfandiary and Ariane Tabatabai, "Yemen: An Opportunity for Iran-Saudi Dialogue?" *The Washington Quarterly* 39, no. 2 (July 25, 2016): 155-74.

Nonetheless, minimal investment in the Houthis provides some important returns for Iran, especially in countering the U.S.-Saudi policy of containment by being able to challenge opponents in an increasing number of arenas in the region and beyond. But this remains contingent on Houthi interests staying aligned with those of Tehran, as it is not clear that Tehran has the ability to compel the Houthis to act counter to their own goals and interests.³¹

Prolonged instability in Yemen may actually be more advantageous to Tehran, as it creates problems for a border state like Saudi Arabia with negligible spillover for Iran. Moreover, a weak central authority is more likely to afford Iran's Houthi allies a greater degree of autonomy, which could heighten Iranian influence in Yemen over a longer period, while keeping Iranian support for the Houthis as a bargaining chip alive.

Iran has already expressed an interest in using its position with the Houthis to negotiate with outside powers. In May, for example, an Iranian delegation led by the deputy foreign minister met with European officials in Rome about Iran's willingness to lend its services in liaising with the Houthis.³² Yet, at this juncture, the U.S. withdrawal from the JCPOA and the reimposition of sanctions serve as a substantial disincentive for Tehran's willingness to negotiate. If Iran's hard-liners are empowered in decision making, then having a long-term presence in Yemen could prove more appealing.

Over the longer term, it is unlikely that Tehran has a strong desire to participate in reconstruction in Yemen in any meaningful capacity. Given its economic limitations, the government would have a hard time justifying to its public giving billions of dollars in aid and reconstruction funding. At the International Conference for Reconstruction in Iraq in February, Iran failed to pledge any money to reconstruction in a much more important area to Iranian interests.³³ A more targeted effort, limited to rebuilding Houthi-controlled areas and capacity, is a more reasonable expectation, although Saudi Arabia is certain to raise alarms about deepening Iranian engagement so close to its southern border.

Other States

While the leading roles in the Arab coalition are played by Saudi Arabia and the UAE, the other Gulf states have made distinctive contributions, supporting the coalition or seeking a mediated end to the conflict.

Bahrain consistently aligns its policies with Saudi Arabia and has contributed to coalition air and ground missions; Bahraini soldiers have served along the southern border of Saudi Arabia as well as in Aden and Marib, where five Bahraini soldiers were killed in a Houthi missile

³¹ Adam Baron, Waleed Alhariri, and Anthony Biswell, "[Trump and the Yemen War: Misrepresenting the Houthis as Iranian Proxies](#)," *Sana'a Center for Strategic Studies*, December 20, 2017; Mareike Transfeld, "[Iran's Small Hand in Yemen](#)," *Carnegie Endowment for International Peace*, February 14, 2017.

³² Parisa Hafezi and John Irish, "[Iran Willing to Push for Ceasefire in Yemen Talks with European Powers](#)," *Reuters*, May 29, 2018.

³³ Ali Alfoneh, "[Iran's Negligible Role in Iraq's Postwar Reconstruction](#)," *Middle East Institute*, February 21, 2018.

attack in 2015.³⁴ While Bahrain can be counted upon to reliably support the coalition in any reconstruction phase, it is unlikely to stake out any independent role, and is more constrained in its abilities to contribute financially.

Qatar joined the Saudi-led coalition, sending 1,000 troops to help defend the Saudi border.³⁵ Qatar had some previous experience working in Yemen, having served as a mediator between the Houthis and the Yemen government in what is known as the fourth Saada war. This Qatari mediation was resented by Saudi Arabia, whose suspicions regarding Doha's intentions became clear in June 2017 when Qatar was expelled from the coalition as part of the broad punitive campaign by Saudi Arabia, the UAE, Bahrain, and Egypt. Eventually, the Hadi-led Yemen government followed the quartet in ending its ties to Qatar.³⁶

Along with the experience negotiating with the Houthis, Qatar has close ties to elements within the Hadi government coalition centered on the Islah faction. Nonetheless, any formal role by Qatar is certain to be opposed by Saudi Arabia and the UAE. Qatar has continued to pledge humanitarian assistance to Yemen, and has experience running development projects within the country.³⁷

Oman and Kuwait have also played a role in formal and informal mediation: Kuwait from inside the coalition and Oman from outside. Oman's foreign minister said the decision to remain outside the coalition was based on Oman's constitution, which forbids participation in military action outside of U.N. authorization, but anyway deemed participation in the fighting as inconsistent with the role of peace mediator.³⁸ Oman is primarily concerned about instability and the growth of extremist activity in the border regions, and secondarily about Saudi and Emirati ambitions in the region. Oman has therefore staked out a position in internal politics in Mahra.³⁹ Given its neutrality in the war, Oman has been useful as a mediator, for instance in negotiating the release of hostages, and has contributed to humanitarian activities in Yemen.

Kuwait remains an active member in the military coalition, with troops supporting Saudi border security. This standing within the coalition provided it with the necessary support of Saudi Arabia and the UAE to host formal negotiations between the Houthi- and Saleh-allied forces and the Hadi-led Yemen government in 2016 in coordination with the U.N. special envoy at the time, Ismail Ould Cheikh Ahmed. While the monthslong negotiations failed, Kuwait has

³⁴ The Bahraini leadership demonstrated its resolve, and shored up support back home, by sending two sons of the king to the warfront following the attack. "[Bahrain's King: My Own Sons Will Be Sent to Help Coalition Forces in Yemen](#)," *Al Arabiya*, September 7, 2015.

³⁵ "[Qatari Military Reinforcements Arrive to the Saudi Border](#)," *Al Arabiya*, September 7, 2015.

³⁶ Aziz El Yaakoubi, "[Qatar Crisis Strains Saudi-Led Arab Alliance in Yemen War](#)," *Reuters*, July 20, 2017.

³⁷ "[Qatar Pledges \\$20mn to Ease Humanitarian Crisis in Yemen](#)," *Gulf Times*, April 5, 2018.

³⁸ Georgio Cafiero and Theodore Karasik, "[Yemen War and Qatar Crisis Challenge Oman's Neutrality](#)," *Middle East Institute*, July 6, 2017.

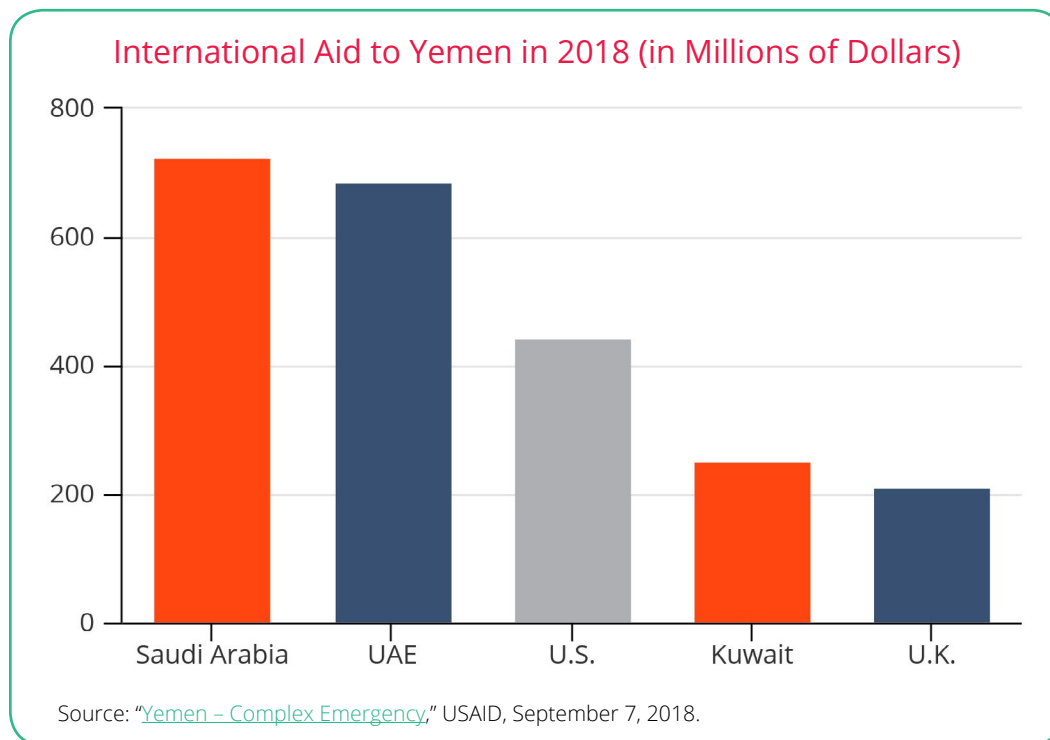
³⁹ Eleanor Ardemagni, "[Emiratis, Omanis, Saudis: The Rising Competition for Yemen's Al Mahra](#)," *LSE Middle East Centre Blog*, December 28, 2017.

continued to express its support for U.N.-sponsored talks, most recently during the emir's visit to Washington in September.⁴⁰ Kuwait has also expressed its commitment to humanitarian assistance to Yemen and promised \$250 million at the recent pledging event in Geneva.⁴¹

International and Supranational

United States

The Trump administration has repeatedly cited counterterrorism and containment of Iran as two of its most important Middle East policy goals, and Yemen is a central front in both pursuits. Washington has also been broadly supportive of the Arab campaign, now increasingly focused in the north, against the Houthis and in support of Hadi. The Trump administration has repeatedly accused Tehran of supplying missiles that have been fired at Saudi cities by the Houthis,⁴² a charge Iran vehemently denies. Maintaining maritime access and security, especially regarding the key strategic chokepoint of the Bab el-Mandeb at the mouth of the Red Sea is a core U.S. interest and commitment. However, the United States also has a clear interest in avoiding a sudden and radical escalation of the conflict that could draw U.S. and Iranian forces into direct confrontation.



⁴⁰ Joyce Karam, "Donald Trump Hosts Kuwait's Emir and Describes Iran as 'In Total Turmoil,'" *The National*, September 6, 2018.

⁴¹ Simone Rensch, "Countries Pledge More Than \$2bn in Humanitarian Aid to Yemen," *Public Finance International*, April 5, 2018.

⁴² Danielle Haynes, "Nikki Haley Offers 'Undeniable' Proof Iran is Arming Houthi Rebels," *UPI*, December 14, 2017.

Counterterrorism, reducing the influence of Iran, regional stability, and other key concerns suggest a strong U.S. interest in an ambitious reconstruction in Yemen, as long as that does not somehow play into the hands of Iran or AQAP. The stability Washington seeks in Yemen and the broader Gulf, Red Sea, and Middle Eastern regions in which the country lies, will depend on such a program. As the quintessential status quo power, the United States stands to gain more than most outside actors from robust reconstruction in Yemen. Moreover, Washington is a disproportionate donor to the humanitarian aid agencies that must care for the population when they have insufficient national and local infrastructure or capacity to generate significant resources of their own.

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Yet the Trump administration has repeatedly stated that it expects other countries to adopt more of the burden for such projects in coming years. At the 2018 Iraq reconstruction conference in Kuwait, for example, the United States declined to commit any direct funds but did provide a \$3 billion line of credit to Baghdad.⁴³ Washington is unlikely to see greater interests in Yemen than in Iraqi reconstruction, so it is most likely to reprise its role as a co-convenor, organizer, and advocate for such projects rather than a principal source of funding. Nonetheless, U.S. influence with the most relevant Arab parties, especially Saudi Arabia and the UAE, remains high and Washington is likely to play a limited but positive role in helping to raise and focus attention on reconstruction in Yemen.

Russia

Russia has tried to position itself in Yemen as a reliable, neutral, and disinterested outside party to bolster the perception that it is a significant international player in Middle East conflicts and an indispensable partner in resolving them.⁴⁴ Hadi has personal ties to Russia and was educated in the Soviet Union,⁴⁵ but Russia has also hosted Houthi delegations to discuss the potential for Moscow providing fuel to areas of Yemen under Houthi control.⁴⁶ In 2017, Russia convened negotiations involving the UAE, the Houthis, and various southern Yemeni groups. In addition to bolstering its reputation as a peacemaker, Russia was also seeking naval basing rights in Aden.⁴⁷ Russia's interests in Yemen are further strengthened by its efforts to deepen its presence in the Red Sea and Horn of Africa areas, including stronger relations with Sudan and the possibility of a Russian military base on its Red Sea coast.⁴⁸ For Russia, there are strong incentives to play as large a role as possible in helping end the conflict and participating in the humanitarian and reconstruction projects.

⁴³ Yara Bayoumy and Maher Chmaytelli, "[U.S. Urges Help for Iraq, Extends \\$3 Billion Credit Line](#)," *Reuters*, February 13, 2018.

⁴⁴ Maher Farrukh and Tyler Nocita, "[Yemen Crisis Situation Report](#)," *American Enterprise Institute*, June 28, 2018.

⁴⁵ Brian Whitaker, "[President Hadi: A Man in the Shadows](#)," *al-bab.com*, March 24, 2013.

⁴⁶ Hakim Almasmari and Asa Fitch, "[Yemen's Houthis Seek Iran, Russia and China Ties](#)," *The Wall Street Journal*, March 6, 2015.

⁴⁷ Maher Farrukh and Tyler Nocita, "[Yemen Crisis Situation Report](#)," *American Enterprise Institute*, June 28, 2018.

⁴⁸ "[Russia, Sudan are Discussing Naval Supply Centre, Not Military Base: Diplomat](#)," *Sudan Tribune*, June 10, 2018.

China

China's role in Yemen is limited but growing along with its economic and even military presence in the regions in which Yemen is a part.⁴⁹ In addition to a range of economic investments in the Gulf, Red Sea, and Horn of Africa regions, China has established a naval base in Djibouti,⁵⁰ the maritime significance of which is underscored by its location at the strategic Bab el-Mandeb, and Chinese warships are increasingly present in ports and bases in this region. However, China does not have a vested interest in any specific outcome in Yemen, despite its warm relations with the main external actors, including Iran, Saudi Arabia, and the UAE, although it does have a stake in overall maritime security and the free flow of energy, especially to Asian markets. Therefore, China would likely be interested in playing a role in resolving the conflict, and could be open to participating in, and possibly financing, postconflict reconstruction in the region. This could be a logical extension of its Belt and Road Initiative infrastructure investment project,⁵¹ and could help raise China's diplomatic and financial profile in an area that it regards as strategically important, not least because of food and energy security concerns.⁵²

United Nations

The United Nations Secretariat and a large range of agencies have been playing a central role in Yemen at both the political/diplomatic and humanitarian registers.⁵³ Moreover, diplomatic efforts aimed at resolving the conflict have almost all centered around, and been led by, U.N. Special Envoy to Yemen Martin Griffiths⁵⁴ and his predecessor.⁵⁵ However, despite numerous efforts and several rounds of negotiations, little progress has been made toward achieving a political solution ending the conflict or even producing a sustained cease-fire. Nonetheless, the U.N. administrative entity has an interest in remaining at the center of peace talks and the successful completion of negotiations would be a major accomplishment for the organization.

Finally, the U.N. Security Council has played a major role in responding to the conflict, particularly in laying the legal and diplomatic justification for the Arab intervention. Saudi Arabia, the UAE, and the others invariably point to U.N. Security Council Resolution 2216,⁵⁶ which called on the Houthis to withdraw from all areas they seized in the recent conflict and reaffirmed "the legitimacy of the President of Yemen, Abdo Rabbo Mansour Hadi." While the resolution does not specifically authorize the intervention, it explicitly supports the main stated goals of the coalition.

⁴⁹ Anca-Elena Ursu and Willem van den Berg, "[China and the EU in the Horn of Africa: Competition and Cooperation](#)," *Clingendael*, April 2018.

⁵⁰ Lily Kuo, "[China Has Officially Opened Its First Military Base in Africa](#)," *Quartz*, August 1, 2017.

⁵¹ Justina Crabtree, "[While China Slaps Tariffs on the US, It's Also Championing Free Trade in Africa](#)," *CNBC*, July 6, 2018.

⁵² Sebastian Hornschild, "[China in the Middle East: Not Just about Oil](#)," *European Union Institute for Security Studies Alert* 31 (July 2016).

⁵³ "[About Us](#)," United Nations in Yemen, accessed September 26, 2018.

⁵⁴ Patrick Wintour, "[UN Envoy Confirms First Yemen Peace Talks in Two Years](#)," *The Guardian*, August 2, 2018.

⁵⁵ Rick Gladstone, "[U.N. Mediator for Yemen Conflict Leaving Post](#)," *The New York Times*, January 22, 2018.

⁵⁶ "[Security Council Demands End to Yemen Violence, Adopting Resolution 2216 \(2015\), with Russian Federation Abstaining](#)," United Nations, accessed September 26, 2018.

European Union

The European Union shares a set of key interests with other players. Like the United Nations and others, it has a stake in mediation and conflict resolution⁵⁷ and humanitarian relief.⁵⁸ Like the United States and others, it has a direct stake in counterterrorism efforts, particularly against AQAP. And certain European states, particularly Germany, Britain, and France, have sold arms directly to Arab militaries engaged in the Yemen conflict. Key EU states are trying to preserve the viability of the nuclear agreement with Iran, and therefore have a vested interest in containing the potential for regional conflicts to exacerbate tensions between Washington and Tehran.

Subnational and Transnational

International Nongovernmental Organizations

A limited number of Western international nongovernmental organizations operate in Yemen (among them the International Committee of the Red Cross, Doctors Without Borders, International Rescue Committee, Save the Children, and Oxfam), all headquartered in Sanaa, largely as a consequence of institutional histories in the country and security constraints elsewhere since the conflict broke out. Western state-run aid agencies have largely chosen to work with the United Nations, the World Bank, nominally state-run agencies like the Social Fund for Development and Social Welfare Fund, and local NGOs while also providing funding support to INGOs.

Gulf-headquartered INGOs and informal donors had a presence in Yemen before the conflict, but all had departed Sanaa by the time the Saudi-led coalition entered the war. Since then, the UAE Red Crescent (a nominal INGO that is closely tied to the government) has become a key player in the humanitarian and development space in the south, arguably fulfilling a role closer to that performed by USAID or the United Kingdom's Department for International Development in Afghanistan or Iraq – partnering with the military and foreign ministries on a holistic stabilization strategy – than a conventional INGO. In Marib, Saudi-led INGOs have played an important role, along with the King Salman Humanitarian Aid and Relief Centre, which in turn funds a series of local NGOs. The UAE and Saudi Arabia are partners on Yemen Comprehensive Humanitarian Operations, a funding vehicle for aid and development projects led by the Saudi ambassador to Yemen.

The respective locations of the different organizations have led to accusations of bias and favoritism. The Hadi government has repeatedly demanded that the United Nations and other aid agencies relocate to Aden, citing the legitimizing effect their presence in Sanaa has and the economic benefit the “aid economy” lends to the northwest. A good proportion of local INGO staff in Houthi areas have become Houthi conversant – able to satisfy the group's needs and mitigate its fears in the areas they operate in.

⁵⁷ [“Council Adopts Conclusions on Yemen,”](#) European Council, April 3, 2017.

⁵⁸ [“EU Pledges €107.5 Million to Address Urgent Needs of Yemeni Civilians,”](#) European Civil Protection and Humanitarian Aid Operations, April 3, 2017.

Most, if not all, INGOs respond that they cannot uproot existing capacity in Sanaa – including seasoned local staff – and that Aden and other coalition-controlled cities remain too insecure. In June, the International Committee of the Red Cross pulled 71 international staff out of Yemen after repeated threats, allegedly made by UAE-backed Salafist groups. In April, a Lebanese official from the organization was killed in Taiz.

The Red Crescent and King Salman Humanitarian Aid and Relief Centre meanwhile stand accused of working to benefit only the UAE and Saudi Arabia's local allies. Yemen Comprehensive Humanitarian Operations has been described by senior aid officials as being primarily motivated by a perceived need to prove that food and aid will continue to flow into Yemen if Hodeidah port is damaged by fighting between the Houthis and the coalition. INGOs meanwhile have had to walk a careful line with the coalition: On the one hand, all have criticized the way the war has been waged, but on the other hand there is an awareness that Saudi Arabia in particular is a major donor in Yemen, and that humanitarian access to the north – limited to flights into Sanaa – is at the mercy of the coalition.

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In a postwar context the UAE and Saudi Arabia are likely to continue to use state-backed aid agencies to bolster their local allies while accusing INGOs of collusion with or favoritism toward the Houthis. This could become a particularly complex and dangerous issue in the event of commingling of forces and freer movement for different factions into rival territory. Aid agencies could be targeted on the basis of alleged – and in some cases real – partisanship.

Hezbollah

Hezbollah appears to have played a quietly crucial role in assisting the Houthis as they rose to the status quo de facto authority in northwest Yemen. Yet, as is the case with its patron Iran and the Houthis, this relationship is less motivated by ideology than it is the need for survival on the part of the Houthis and political expediency on the part of Hezbollah. While Hezbollah denies sending material support to Yemen, including funds, arms, or soldiers, media reports frequently describe Hezbollah military trainers working with Houthi fighters.

Hezbollah advisors first arrived in Yemen around 2006 but did not become heavily engaged with the Houthis until around 2011-12. They have since maintained a light but increasingly influential presence, acting largely in an advisory capacity on military affairs, media, and governance. The relationships they have built are likely to be durable, based on mutual trust, and hard to erode. Houthi officials have been meeting with senior Hezbollah officials in Lebanon, including a meeting with the head of Hezbollah, Hassan Nasrallah, in August. The Houthi movement also currently broadcasts a television station, Al-Masirah, from southern Beirut, where Hezbollah is based.

Salafist Groups

A notable feature of the political and military landscape since the beginning of the war has been the emergence of a large number of Salafist groups, and their evolution into a key player on a number of battle fronts. Many of these groups emerged from the Dar al-Hadith network of madrassas, in particular the Dammaj and Kitaf branches in Saada governorate, which were evacuated in 2014 after years of fierce fighting between residents and the Zaydi Shia Houthis.

Any analysis of Salafist networks in Yemen is complicated by splits between groups that occurred before and during the war, as well as geographical variations – in short, Salafists are not a monolith in Yemen.

Regardless of their internal politics, the different Salafist groups in the country make up the majority of the security forces in many southern governorates and fighting forces on key frontlines, including the Saudi-Yemeni border, Taiz, and on the Red Sea coast. Any future political settlement will have to involve these groups and their external sponsors.

In a best-case scenario, international players would coordinate with Saudi Arabia and the UAE to integrate these forces into local and national security structures. In a worst-case outcome, however, the Gulf states would either abandon their current allies, forcing them to look for a new external patron, or instrumentalize them to pursue a longer-term political agenda.

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In either outcome, Salafist groups would likely intensify already damaging sectarian rhetoric against the Saudis and more moderate Islamists. In the case of abandonment, the main options open to the Salafists would be integration with AQAP or ISIL, or the use of their extensive external networks of hyperconservative affiliates (a large number of Dar al-Hadith students came from Europe and the United States). In either case, the best way of attracting external support would be by launching activities that inspire other likeminded movements abroad.

Coalition support for Salafist networks can already be felt across Yemen, notably in Mahra, where local tribal groups have threatened an armed insurrection against Saudi troops based in the port city of Nishtun, and against a new local branch of Dar al-Hadith purportedly funded by the kingdom. Such polarization can only prove destabilizing and add a new layer of complexity to the reconstruction process, particularly if Salafist groups continue to capture Gulf funding.

Economic Networks

An important and often understudied feature of the Yemen war has been the recalibration of historical economic networks and the emergence of a new cadre of economic actors as the country attempts to adapt to the restrictions and privations of conflict. This shift has in turn further eroded the already thin barrier between the “black,” “white,” and “gray” economies, and licit and illicit economic actors. Yemen, in the telling of one Sanaa-based businessman, has become the perfect “free market.”

The wartime political economy has significantly enriched a number of military leaders and their economic affiliates, particularly the Houthis and to a lesser extent the tribal-military axis in Marib. An end to the war would challenge not just the political influence of the key players in the war, but also the economic networks that sustain and enrich them.

The Houthis have taken an increasingly dominant position in controlling imported fuel that enters the country via Hodeidah port, and liquefied petroleum gas produced in Marib and transported into Houthi-controlled territory via Al Jawf. The group's leadership has, according to well-informed sources in Sanaa, also engaged in a series of landgrabs in Sanaa and elsewhere, seizing prime real estate and lucrative qat farms. The group taxes goods either imported from abroad or across the country's internal borders twice – when the good enters the areas they control and when it is sold at local shops and markets. The Houthis also appear to benefit from a scheme in which Iranian fuel provided free of cost is transported into Yemen via “cut-out” businesses and fabricated transactions, allowing the group to sell the fuel into the local market for 100 percent profit.

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In Marib, the local government has been able to control the production of fuel at a small refinery and liquefied petroleum gas at state-owned facilities. It taxes imports and local markets, and sells land to local firms. The governor, Sultan al-Aradah, operates the local branch of the Central Bank of Yemen as an effectively independent treasury and does not return revenue to the Hadi government's central bank headquarters in Aden. The Mukalla-based governor of Hadramout, Faraj Bahsani, similarly taxes imports from the port and receives a portion of revenue generated from the sale of oil to international markets by the Hadi government. Both Aradah and Bahsani benefit further from the payment of local soldiers by Saudi Arabia and the UAE, respectively. Both men allegedly receive a portion of these salaries for local or personal use.

In Aden, UAE-backed forces control the port and airport, the main sources of customs revenue, while the Hadi government controls the central bank headquarters, through which it distributes riyals printed in Russia and transported into the city. Hadi also oversees the sale of oil produced in Hadramout to international markets, generating revenue of around \$1 billion in 2017. Again, the UAE and Saudi Arabia pay salaries to local soldiers and affiliated political leaders.

Local militias and tribal groups also generate small but important volumes of revenue by setting up checkpoints that drivers are obliged to pay to pass through. This system also helps incentivize smuggling, which has become a crucial part of the overall war economy. Smuggling networks are pervasive across the country and cross internal borders with surprising ease. Goods can be transported from Dubai to Sanaa in around 72 hours while the country is so awash with weapons – thanks in large part to the Saudi and UAE armament of their local allies – that arms are being sold into the Horn of Africa from Yemen rather than vice versa, as might be expected.

Al-Qaeda and ISIL

At the outset of the conflict, it appeared that AQAP was a principal beneficiary of the war. In April 2015, AQAP entered Mukalla city, which was quickly abandoned by local security services. The group raided local state and private banks and took over local institutions with relative ease, bringing in an estimated \$100 million from looting banks and collecting revenue from Mukalla's port.⁵⁹

In April 2016, AQAP was forced out of Mukalla by UAE-backed forces but was able to withdraw with heavy weapons and a large amount of cash. Since then the group's fortunes have ebbed and flowed along with its strategic outlook. The group has become less visible on social media, and the number of attacks it claims against its domestic rivals, the UAE in particular, have diminished over time, while the United States and UAE have claimed a series of counterterrorism successes.

However, AQAP, which has proved highly resilient, may have adapted to the context of the war rather than faded as a result of it. AQAP fighters are reportedly highly active in Taiz and Bayda, while a number of fighters who are purportedly broadly aligned with the group and are former members of Ansar al-Sharia (AQAP's main military arm, which does not demand members swear loyalty to AQAP's emir) seem to have dispersed across the country's many fighting groups, particularly those led by Salafist leaders who broadly share the jihadists' worldview. "Before, AQAP wanted to be the state; now it wants to infiltrate the state," said an Aden-based journalist.

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ISIL in Yemen was born of a split within AQAP in 2014, with some AQAP leaders keen to employ the more hard-line tactics of the then-rising Iraqi-Syrian group, and to attract its patronage. Yet AQAP's takeover of Mukalla, and subsequent narrative of success – and windfall from doing so – along with the collapse of ISIL in Iraq and its reduction in Yemen to a frontline fighting faction in Bayda, which has little to differentiate it from other forces, has largely proved this strategy to be misplaced. Given the post-2011 decentralization of al-Qaeda, however, there is little external resource for AQAP to rely upon either, beyond foreign recruits (numbers of which are hard to establish). Given the lack of territorial control either group has – both are most visible in frontlines in Bayda and Taiz – a carefully managed reconstruction process could serve as an opportunity to further erode the two groups, through persuasion, demonstrating that the state model works, rather than pure coercion or kinetic approaches, which have rarely proved effective in Yemen.

⁵⁹ Yara Bayoumy, Noah Browning, and Mohammed Ghobari, "[How Saudi Arabia's War in Yemen has Made Al Qaeda Stronger – and Richer](#)," *Reuters*, April 8, 2016.

Internal-External Dynamics and Reconstruction

Interplay between Regional Issues and the Yemen Conflict/ Reconstruction

Among the core questions for those considering reconstruction in Yemen are: What kind of peace process will end the war; what will the postconflict settlement look like politically and structurally (i.e. will Yemen, as many suspect, become deeply federalized, or will it maintain a centralized system of government); and who will fund reconstruction? In any case, for the postwar system to be seen as legitimate, political elites entrusted with governance will need to be able to demonstrate concrete achievements in service delivery, infrastructure, and restoring growth in the economy.

These concerns are compounded by additional questions of whether reconstruction should start in areas not currently affected by the conflict, and whether it is possible to fund major projects in Yemen without inadvertently (or deliberately) “picking winners,” particularly given the lack of overall consensus among Yemenis over who is legitimate. There are also complications associated with the broad assumption that Yemen’s neighbors – many of whom are de facto parties to the conflict and have an interest in certain political outcomes – will foot the postwar reconstruction bill. This is neither a given, nor does it come without significant complications, considering the Gulf states’ increasingly politicized attitude toward aid money and tightening purse strings at home.

For example, if international institutions were to support initiatives in Marib and southern Yemen to build new infrastructure, they would be expected to work with the Hadi government but would likely try to circumvent it. This in turn would result in funds being dispersed by local authorities, bolstering their popularity and perceived legitimacy at the local level, to the chagrin of the Yemeni government. And if the UAE, for example, were to underwrite reconstruction projects in the South but not the North, this would catalyze suspicions that Abu Dhabi is an advocate for Southern secession; and that the UAE is attempting to undermine Islah-affiliated groups in order to bolster its own secessionist and Salafist allies. Attempts by Qatar to offer funding, as it has in the past in Yemen, could similarly be perceived as an attempt to buy influence, something Saudi Arabia and the UAE would likely reject.

There is also a long history of failure to deliver development assistance to Yemen, due to capacity limitations, internal Yemeni politics, overambitious programming, and heavy donor conditionality. Even during the transitional period of 2012-14, when around \$12 billion had been committed to help rebuild Yemen’s economy, and the National Bureau for Aid Acceleration was formed with the stated aim of ensuring fund dispersal and project delivery and donors were heavily incentivized to produce results in Yemen, the pace of dispersal was very slow.

These barriers to implementation are unlikely to have improved over the course of a nearly four-year war that has destroyed infrastructure, eroded institutions, included political polarization, and caused significant brain drain as educated, technocratic Yemenis flee the country. Yemen therefore provides a challenging case study, one for which it will not be possible to provide meaningful responses until the peace process is more advanced.

Lines of Diversion, Confrontation, and Cooperation

The rising cost of the conflict in Yemen's humanitarian disaster and the continued willingness of warring parties, specifically the UAE and Saudi Arabia, to invest in military equipment suggest that cost is not a deterrent or impediment to war.

While the immediate costs to the Yemeni people in famine, disease, and destruction have been clear, the future cost to Gulf neighbors, Saudi Arabia and the UAE in particular, may be more than these states have estimated. As the expansive social science research on civil wars demonstrates, the cost of these conflicts tends to multiply, with reverberating effects in the domestic economy and neighboring states. Policymakers should take note as the Yemeni case is textbook in its demonstration of expected outcomes of civil wars. When considering a postconflict reconstruction effort in Yemen, what might the Gulf states learn from the experience and theory on how to avoid the conflict trap and violence cycle?

There is a growing expectation that the Gulf states, specifically the UAE and Saudi Arabia, will lead as funders and agents of postconflict reconstruction in Yemen. Saudi Arabia and the UAE in particular will need to grow their capacity to be able to advise and deliver this kind of support. There are certainly lines of conversion in the growing political, economic, and military coordination between Saudi Arabia and the UAE. However, on the ground in Yemen, this coordination does not transfer to shared policies on working with local militias. Nor is there the institutional apparatus to coordinate aid and humanitarian relief. The King Salman Humanitarian Aid and Relief Centre is a Saudi initiative, but there is no parallel UAE center, nor is there evidence of capacity for large-scale aid delivery and reconstruction. For that reason, the reconstruction of Yemen will rely on regional funding and delivery capacity but with an overarching international mandate and delivery system. These are the points of diversion and possible dysfunction. The geoeconomics of reconstruction in Yemen will depend on a simultaneous strengthening of local governance and aid delivery, while at the same time reinforcing legitimacy at the national level.

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The structure of Yemen's economy weakens its chances of recovery and broadens its regional economic fallout in several ways. Yemen's economy is heavily dependent on oil exports and food imports. According to a World Bank study on the economics of postconflict reconstruction in the Middle East and North Africa, for the last 30 years, Yemen has relied on oil for more than a third of its gross domestic product (\$31 billion in 2010), half of its government revenue, and 90 percent of its exports.⁶⁰ During the oil boom between 2003 and 2014, high oil revenue allowed the central government of Yemen to provide employment in the public sector and make some infrastructure investment. While consistently poor and struggling with unification,

⁶⁰ The World Bank, *MENA Economic Monitor, April 2017: The Economics of Post-Conflict Reconstruction in MENA* (Washington, DC: The World Bank, April 2017).

Yemen's economy grew at an average annual rate of 3.8 percent between 1990 and 2010. The oil growth resource is now less reliable since the decline in oil prices in late 2014, and the expectation of steady or increasing growth is less realistic.

More recent studies find civil wars to be especially devastating to postconflict economic recovery.⁶¹ Evaluating 20 countries, Stefano Costalli, Luigi Moretti, and Costantino Pischedda show that civil wars have the effect of reducing average annual per capita GDP growth by about 1.5 percent during conflict and for some time following it.⁶² It is not just that war devastates economies, but civil wars tend to devastate possibilities for economic recovery for a long time. Even with new aid commitments, Yemen will grapple with the legacy of conflict and the problem of re-establishing trust. The long-standing grievances of inequality of access to resources will be a key obstacle in reconstruction. Establishing local governance practices that can approach a national delivery plan should prioritize transparency.

Moreover, the demographics of Yemen reinforce the vulnerabilities of the local economy. According to a study by the World Bank, United Nations, Islamic Development Bank, and European Union, there is a strong link between youth and work in the informal sector: In Yemen, "21.9 percent of employed people are between the ages of 15 and 24, and 97.2 percent of them work in the informal sector."⁶³ Young people are exposed to higher levels of vulnerability than older workers. The demographic challenge of postconflict reconstruction in Yemen is potentially an area for cooperation, in that the entire region of the Middle East, the Gulf in particular, is struggling to create policy prescriptions to boost youth employment. This is potentially an area of opportunity for policymakers at the regional, national, and local levels to share strategies.

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In lines of confrontation, there is a heightened security risk in the region as the Yemen conflict continues. For the Gulf Arab states, the risks brewing inside Yemen are very clear: In a young, unemployed, fractionalized society with access to arms and little access to public health services or education, conflict is sure to resurface. But it might be more compelling to consider the export of the conflict effects on neighboring countries' domestic political and economic stability. The violence trap is not contained. Countries engaged in conflict tend to increase their military spending. The spending effect is contagious to neighboring states, even if they are at peace. Civil war tends to increase military expenditure by 2 percentage points

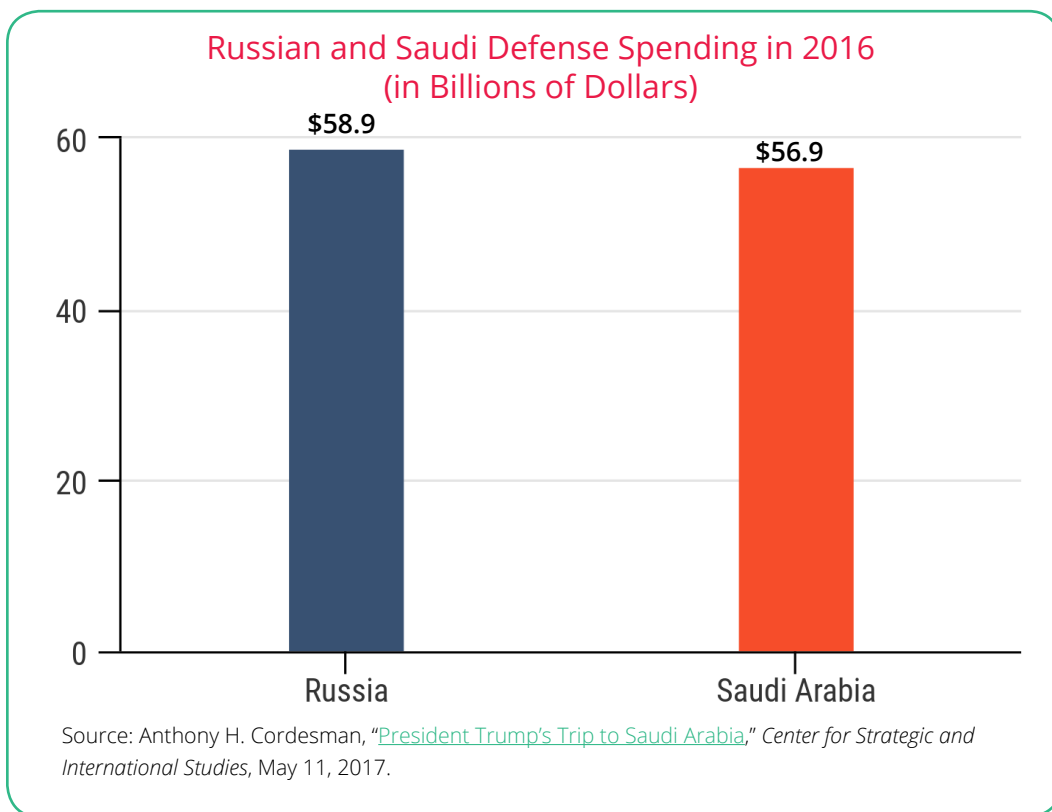
⁶¹ Hannes Mueller, "Growth Dynamics: The Myth of Economic Recovery: Comment," *American Economic Review* 102, no. 7 (2012): 3,774-77.

⁶² Stefano Costalli, Luigi Moretti, and Costantino Pischedda, "The Economic Cost of Civil War: Synthetic Counterfactual Evidence and the Effects of Ethnic Fractionalization," *Journal of Peace Research* 54, no. 1 (2017): 80-98.

⁶³ United Nations, European Union, Islamic Development Bank, and the Government of Yemen, [Joint Social and Economic Assessment for the Republic of Yemen](#) (Washington, DC: The World Bank, September 24, 2012).

of GDP, according to a World Bank study by Paul Collier.⁶⁴ It creates regional arms races in which governments dedicate spending to military purchases and expenses that might have otherwise gone to public health, infrastructure, or education.

According to Anthony Cordesman, citing reports by the International Institute for Strategic Studies, Saudi Arabia spent \$56.9 billion on defense in 2016, only \$2 billion less than the total spent by Russia.⁶⁵ Saudi Arabia's military and security spending has decreased somewhat during its recent fiscal austerity measures but remains extremely high by international standards at 8.9 percent of its GDP in 2016. Increased military spending in the Gulf has had the effect of encouraging interventionist policies and may lead to emboldened approaches by Saudi Arabia and the UAE to confronting Iran. Yemen stands already as a theater in this confrontation. For other regional powers, from Turkey to Israel, the deployment of military forces as far as Syria and the Horn of Africa indicates a rising level of tension in the region that will complicate reconstruction finance and access.



⁶⁴ Paul Collier, V.L. Elliott, Havard Hegre, Anke Hoeffler, Marta Reynal-Querol, and Nicholas Sambanis, "Breaking the Conflict Trap: Civil War and Development Policy," *World Bank Policy Research Report* (Washington, DC: World Bank and Oxford University Press, 2003).

⁶⁵ Anthony H. Cordesman, "[President Trump's Trip to Saudi Arabia](#)," *Center for Strategic and International Studies*, May 11, 2017.

Internal-External Relationships and Reconstruction

The scholar Fred Halliday wrote that, as president, Saleh's foreign policy consisted of "mobilizing external backing for the president's rule" against the "numerous fissiparous forces that continued to operate within the united country," while preventing outside support for his rivals where possible.⁶⁶ A similar approach has been employed toward external actors by Yemen's tribes, political groups, and broader elites across the country's history, while external actors have engaged in a long-standing search for a reliable ally in Yemen, often ignoring how reliable they themselves present to their local partners.

Saudi Arabia is a prime example. In the post-World War II era, Riyadh has engaged in a shifting set of alliances with competing political actors in Yemen, including the Zaydi imamate, republican nationalists, Saleh, the socialist People's Democratic Republic of Yemen, various tribes, and Islah – the Islamist party it has courted and rebuked at various points. Indeed, in 2011, as Saudi Arabia feared the rise of the Muslim Brotherhood throughout the region, it cut ties with Islah and some affiliated military leaders, including Mohsen, who over the course of the current war has emerged as the Saudis' main military ally.

It is likely that neither Mohsen, nor the Saudis, see this relationship as durable in the long term, especially given the Saudis' antipathy toward the Muslim Brotherhood elsewhere in the region and the partnership Riyadh currently enjoys with Abu Dhabi. This in turn encourages a short-term calculus among the different factions – likely including UAE-backed secessionists and Salafist groups. Arguably, it also incentivizes deal-making among Yemeni groups in the longer term, but this is unlikely to occur as long as external support is available and the war has not been definitively won or lost.

The shallowness of these patron-client relationships is deepened by the nature of incentives involved: Most Saudi clients are rewarded with cash stipends and salaries for fighters, and are not treated with prestige in Saudi Arabia itself. The UAE has a more complex relationship with its clients, in part because they are more strongly motivated by ideology, and because in many cases the structures they have formed are partially UAE creations, reliant on knowledge transfer along with arms and cash. Yet many former UAE clients have rankled at the notion that there is a direct command-and-control relationship. In a state structure where security bodies are integrated into national institutions, and wages are paid centrally or at the local level, there would be an opportunity for UAE and Saudi influence to be reduced – or manipulated – but this could also drive groups that "lose" and are not integrated further into the hands of their current, or new, patrons. This underscores the importance of linking security sector reform to reconstruction and governance.

Ironically, it may be that the Houthis, who enjoyed a limited relationship with Iran before 2014-15, have become most reliant and closely bound with their external patrons, Lebanese Hezbollah and, to a lesser extent, Iran.

⁶⁶ Fred Halliday, "The Foreign Policy of Yemen," in *The Foreign Policies of Middle East States*, ed. Raymond A. Hinnebusch and Anoushiravan Ehteshami (Boulder: Lynne Rienner, 2001), 272.

Indeed, the groups most likely to engage with external transnational forces are the Salafist and al-Qaeda fighters who share a broadly heterogeneous conception of jihad and religious struggle, and who, if current patrons were to disappear, could be coaxed into cooperation with future iterations of al-Qaeda and ISIL.

This is where a reconstruction process can be either transformative or deeply disruptive. If external patrons favor a single group in the process, its rivals and allies will find incentives to spoil a peace process. And if groups like the Salafists are not included in broad economic structures, they may seek – and find – external patrons unpalatable to many of those hoping to contribute to reconstruction as a tool for peace and stabilization. Yet it is unlikely that the process will manage to keep all of the people happy all of the time.

A balance will need to be struck between ensuring that reconstruction happens on as broad a basis as possible, and that its benefits are felt as widely as possible.

A balance will need to be struck between ensuring that reconstruction happens on as broad a basis as possible, and that its benefits are felt as widely as possible. This entails considering how funds might be filtered through a decentralized model for dispersal without being captured by or even deliberately diverted to individual interest groups in a manner that prompts resentment and conflict. This issue is likely to be exacerbated by the agendas of external players and meaningful capacity gaps between different regional and identity groups.

Conclusions and Recommendations

The geoeconomics of reconstruction in Yemen entail a great deal of balancing between regional powers with both economic and security interests in Yemen and the Red Sea corridor and of existing conflicts elsewhere in the region, which makes cooperation more difficult and shared financial responsibility for reconstruction less likely. The following are some recommendations for improving the success of stabilization and reconstruction in Yemen.

1. A coordinated and unified GCC response to postconflict reconstruction in Yemen will be essential to meeting the country's political and economic requirements. In much the same way as the GCC – working closely with the United Nations, the United States, and other parties – brokered the 2011 agreement that ended the unrest following the Arab Spring uprisings. An international mandate could provide sufficient impetus for the GCC to at least paper over its internal disputes in order to resolve this challenge to regional security. On the security side, close coordination between Saudi Arabia and the UAE will be necessary to ensure that demobilization can occur simultaneously throughout the country, so that no single militia has favored status over another.
2. Yemen's long-term economic viability will be greatly enhanced if the GCC extends some of its membership privileges, such as tariff relief for exports from Yemen and labor concessions. However, the Gulf states are likely to be wary of any large influx of Yemenis in the near future, given their position during the war and prevailing terror threats. An alternative may be outsourcing labor intensive and semiskilled work that can be integrated into Gulf supply chains. In addition, the GCC could fund a national network of vocational-training institutes in Yemen so that in-demand skills could be acquired at home.

3. Yemen's political culture of patronage, especially from foreign influence, is likely to persist. To reduce the tendency to play one foreign patron against another, patron-client relationships between foreign states and local governorates and armed groups must be centralized into state agencies or federal units, to bring legitimacy to government, not warlords, militias, or sectarian actors.
4. One effective mechanism to restore legitimacy to local governments and limit discrepancies in regional access to relief, including the disbursement of salaries, is an effort to increase transparency in the amount and distribution of aid funds by region and local governments at the municipal level. Regional governments that provide resources effectively should be rewarded with new projects and opportunity. Transparency and accountability in an institution or clearing house that oversees aid distribution regionally, either through U.N.-mandate to the federal government, or a system that provides details on disbursements on each region and its respective local government could lessen grievances while also strengthening the legitimacy of the local government and federal state. Existing programs such as the Social Fund for Development and the Social Welfare Fund have proved their merit and should be carefully weighed as effective vehicles for aid disbursement to Yemen's most vulnerable populations.
5. A central tenet of any reconstruction program should be setting realistic goals. While the temptation may be to aim for major infrastructure projects like ports, airports, and free zones, small-scale projects like sanitation rehabilitation, localized solar power grids, infrastructure or public building repair, and small roads projects of the kind the World Bank is engaged in are far more likely to provide tangible benefits. Local needs assessments should be conducted in conjunction with local communities to ensure maximum possible buy-in. Developing such projects alongside mobile banking, microloans, and small- and medium-sized enterprises with a focus on community-level projects is likely to encourage buy-in to the postconflict order.

